TAKE CONTROL

for Your Future

What to do if you lose your job: Spend less

In the event of income or job loss, it is important to reduce family spending right away. Even if you think you will have a new job soon, failing to do this right away can add to the stress and pressure of finding a new job.

Revise family spending

- If you have been using credit, stop. It is important not to build big credit card balances that might be more difficult to pay on a reduced income.
- Create a written cost of living plan based on the amount of income you will receive from all sources, including unemployment insurance.
- Decide which expenses can be eliminated entirely and for which expenses low-cost substitutes can be found.
- Create a budget that is between 80 percent and 90 percent of expected income.
- Track your expenses under your new budget. You may discover expenses that were overlooked in developing the budget. Fortunately, you left some adjustment room.
- Now revise your budget to include the new expenses or their low-cost substitute.
- Write two dates at the top of the spending plan: The last date you will receive unemployment compensation (including extensions under the stimulus plan) payments and a date two months prior to the expiration of income. These dates should give you a sense of whether there is time to search for your dream job or only time to focus on getting a new job.
- Explain to your family that because the economy is changing, you and they will have to do a few things differently.
- Enlist family members to help reduce essential expenses such as utilities and food. Simple acts like turning off lights, wearing a sweater and putting away leftovers can reduce and keep costs down.
- Help your family adjust to reduced spending. It may be helpful to tell stories of other economic downturns and how your parents or grandparents or others in the current situation adjusted to take care of their families.

Prioritize spending

Identify essential expenses and assets. For example, a reliable car is likely to be an essential asset. Consider whether you can pay off your car if you have a loan. This will be especially important if car payments will extend beyond the number of months of unemployment insurance income. If you lease a car, review the lease documents to determine whether the car can be purchased at a pre-agreed upon price. You may want to purchase the car or end the lease early and purchase a good inexpensive car to eliminate the need for a car payment. Using a leased vehicle for job searches and family activities may cause you to exceed your annual mileage allowance, requiring you to pay additional fees at the end of the lease.

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